



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF REAL PROPERTY TAX BILLING AND COLLECTION CONTROLS

#### Report Highlights

#### Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2018.

#### What We Found

Property tax bills are calculated correctly.

Penalties and interest are charged correctly for late payments.

**Report Number:** 2018-A-14

**Date Issued:** 08/16/2018

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Real Property Tax Billing and Collection Controls. The results of that audit and our findings are detailed in the attached report. The audit found procedures and controls were adequate to ensure citizens were billed the proper amount for real property tax and revenue was collected timely.

We would like to thank the members of management for their cooperation during the audit. The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

A handwritten signature in black ink that reads "Chrystal Brooks, CPA".

Chrystal Brooks  
County Auditor

cc: Mr. Robbie Sandlass, Treasurer

#### Audit Team:

Chrystal Brooks  
CPA, CIA, CGAP, CISA, CGFM, CRMA  
*County Auditor*

Sarah Self, CIA  
*Staff Auditor*



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### REVIEW RESULTS

We have audited Real Property Tax Billing and Collection Controls for the period of 7/1/2015 through 8/31/2017. We reviewed the County's procedures and controls to ensure citizens were billed the correct amount and all revenues due to the County were collected properly.

Our conclusion, based on the evidence obtained, is that the procedures and controls in place were adequate and effective. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Unauthorized adjustments are made to property tax billing accounts	<ul style="list-style-type: none"><li>Adjustments require supporting documentation and supervisory review or approval</li><li>Credits are only applied to eligible properties and are approved when necessary</li></ul>	Satisfactory Satisfactory
Tax bills are calculated incorrectly	<ul style="list-style-type: none"><li>Assessment data is imported from the State and is not updated in the user interface</li><li>Tax rates are reviewed when updated, prior to generating bills</li></ul>	Satisfactory Satisfactory

Although none was required, Management has been provided an opportunity to respond to this report. Accordingly, Management did not wish to provide a response.

### BACKGROUND INFORMATION

#### PROGRAM DESCRIPTION AND KEY STATISTICS

Real Property tax income is Harford County's largest source of revenue. Each year, the County bills approximately 95,000 properties, collecting more than \$300 million in County taxes. Maryland State law provides that all real property is subject to property tax. The State Department of Assessments and Taxation (SDAT) is responsible for assessing property values once every three years. Harford County uses those assessments to generate bills by applying the appropriate tax rates, fees, and credits.

Property tax rates for the years audited were \$0.8937 for County General Fund taxes, \$0.1483 for County Highways tax and \$0.112 for State taxes. Each tax rate is per \$100 of

assessed property value. Properties within the County's three municipalities do not pay Highways tax. Annual property tax bills may also include charges for special assessments, and other mandated taxes and fees. -

### **REVIEW OBJECTIVE, SCOPE AND METHODOLOGY**

The objective of this audit was to confirm that controls over real property tax billing are adequate to ensure the billed amount is correct and the revenue is recorded and collected in a timely manner. The scope of this review was limited to ensuring billings are proper, collections are timely, and adjustments are reviewed for propriety. The audit focused on the billing process for the 2017 and 2018 tax years and adjustments made for those periods. It did not cover the regular payment posting process, since that was addressed in our Cash Receipts audit.

Our audit procedures included interviewing personnel, observation and testing. Specifically, we performed data analysis and recalculated bills to ensure tax rates and fees were applied appropriately and consistently. We reviewed the various property related assessments to ensure the correct amounts were billed to the correct properties. We also examined a sample of property tax credits to confirm eligibility and appropriate approvals. For late payments, we tested to confirm penalties and interest were correctly charged. We also reviewed a sample of properties sold at tax sale and verified that the required procedures were followed prior to sale.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.